



ENERGY ASSURANCE DAILY

Tuesday, September 12, 2006

Electricity

Northwest Electricity Industry Leaders Launch Initiative to Explore Technical and Policy Issues for Integrating Wind Power and Other Renewable Energy Sources into Grid

Officials from the four U.S. Pacific Northwest states and British Columbia, as well as experts and representatives from utilities and organizations in the region, met at the invitation of the Bonneville Power Administration (BPA) and the Northwest Power and Conservation Council (NWPCC) to develop a plan to integrate large amounts of wind power and other variable renewable energy resources into the Pacific Northwest power system while maintaining high overall system reliability. Because wind power is the region's fastest-growing renewable power source, with some 3,000 MW of facilities currently under consideration, the action plan will concentrate on issues associated with the integration of wind power into the electricity grid.

<http://www.nwcouncil.org/library/releases/2006/0824.htm>

SCE's 325 MW Big Creek Hydro Unit in California Shut Sept. 11

Reuters, 07:52 September 12, 2006

NRG/Dynegy's 335 MW El Segundo Gas-fired Unit 3 in California Shut Sept. 11

Reuters, 07:52 September 12, 2006

USBR's 202 MW New Melones Hydro Unit in California Shut Sept. 11

Reuters, 07:52 September 12, 2006

Petroleum

Power Failure Shuts 4 Units at Total's 232,000 b/d Port Arthur, Texas Refinery Sept. 10

A "voltage fault" caused several motors to stop working, forcing Total SA to shut four units, including a fluid catalytic cracker (FCC), crude complex, and alkylation unit. Traders said the FCC is expected to be down 24 to 72 hours.

Bloomberg News, 10:17 September 12, 2006

Reuters, 16:37 September 11, 2006

BP to Test Shut Eastern Prudhoe Bay Pipeline, May Ask U.S. DOT to Restart Line

BP is planning to conduct safety tests this week on its shut eastern Prudhoe Bay oil transit pipeline and will seek government approval to restart part of the line. The restart will allow the company to run a smart pig through the line to check the interior for corrosion. If the pipeline passes the tests, BP will ask the U.S. Department of Transportation permission to restart part of the line. If the line does not pass the tests, BP will move forward with a plan to construct bypass pipelines. Yesterday BP said the bypass lines would allow 105,000 b/d to be restarted from Prudhoe Bay's Eastern Operating Area.

Reuters, 13:00 September 11, 2006

IEA Has Cautious Outlook on Quick Prudhoe Bay Recovery

In its Monthly Oil Market Report, the International Energy Agency (IEA) has said that BP's Prudhoe Bay oil field may not restore full output by the end of October.

Bloomberg News, 04:05 September 12, 2006

EIA Ups Projected 3Q Alaska Crude Production to 620,000 b/d, Says Prudhoe Bay Shutdown Caused No Major Oil Supply Problems on West Coast

The U.S. Energy Information Administration (EIA) has revised its third quarter short-term outlook for Alaska crude oil production from 470,000 b/d to 620,000 b/d. The estimate is higher because field operator BP has not reduced production from Prudhoe Bay as sharply as previously expected. BP reduced production from its Prudhoe Bay oilfield last month when severe corrosion was found in an oil transit pipeline. Additionally, EIA deputy administrator Howard Gruenspecht said that BP's Prudhoe Bay field shutdown had no "significant impact" on the amount of crude oil processed in California or Washington refineries.

Reuters, 10:13 September 12, 2006

Bloomberg News, 11:28 September 12, 2006

Ethanol Price Drop Causing Problems for Northeast Gasoline Retailers

According to some retailers, the recent sharp drop in U.S. ethanol prices is causing more problems for gasoline retailers in the Northeast. Ethanol prices climbed rapidly this summer when the oil industry replaced MTBE with ethanol in reformulated gasoline. Because ethanol, unlike MTBE, cannot be shipped via existing gasoline pipelines, gasoline retailers have developed truck, rail and barge capabilities to deliver the additive, which is produced primarily in the Midwest. Retailers have also had to develop relationships with co-tenants at storage terminals to buy ethanol and other products together since no one has storage space for minimum shipments. The recent fall in ethanol prices (from a record \$5.75 per gallon in late June to about \$2.16 per gallon today) has discouraged retailers from stocking up on ethanol and forcing them to be "more creative" with logistics.

Reuters, 11:56 September 12, 2006

Update: State Oil Company Elaborates on Nigeria's Shut in Oil Production

Nigerian officials estimate that militant attacks and pipeline leaks are causing the country to lose between 800,000 and 872,000 b/d, more than a quarter of its Nigeria's total output. Elaborating on this estimate, State oil company NNPC said that about 250,000 b/d of its own production was offline in addition to about 600,000 b/d of Shell production shut in. In 2005, Nigeria supplied about 8 percent of total U.S. oil imports.

Reuters, 10:37 September 12, 2006

Natural Gas

Gulf South Seeking FERC Approval to Build 242-Mile Pipe Expansion

Gulf South Pipeline Co. LP recently filed an application with the Federal Energy Regulatory Commission (FERC) to build 242 miles of pipeline, connecting its existing system in northern Louisiana to its 30-inch diameter pipeline in Simpson County, Mississippi.

<http://intelligencepress.com/>

Other News

Thieves Steal Copper Wire Directly from AEP's Utility Poles in Ohio

Over the weekend of September 9, thieves stole nearly 500 pounds of copper wire (some 3,900 feet) from American Electric Power utility poles in the Newport area of Ohio. The thieves apparently climbed power poles to remove the wire from a live power line. The theft did not create a power outage, but repairs did take several hours to complete. Thefts of copper wire are on the rise as sharp increases in the price of copper have made the metal attractive enough for thieves to not only remove wire from utility poles but to break into utility facilities and even commercial complexes to steal wire.

<http://timesreporter.com/index.php?ID=58311>

Security at Nuclear Plants Enhanced Since Sept. 11, 2001; Still Labeled as Insufficient

Since September 11, 2001, measures have been taken to enhance security at nuclear power plants. Enhancements include a 60 percent increase in security forces, additional concrete barriers, electronic surveillance, and background checks on employees. Also, defenses of nuclear plants are being tested nearly three times as often as before and in a much more realistic fashion. However, security is still being labeled by critics as insufficient on such issues as the safeguarding of nuclear waste and the practice of allowing outside private firms to provide security at nuclear plants.

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=7138939

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=7138005

Energy Prices

U.S. Oil and Gas Prices September 12, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	64.82	68.70	63.29
NATURAL GAS Henry Hub \$/Million Btu	5.29	5.45	10.68

Source: Reuters

Energy Notes

Global Crude Quality to Become Slightly Heavier, Sweeter by 2011 - IEA

<http://www.platts.com/Oil/News/8629926.xml?p=Oil/News&sub=Oil>

World Will See Spare Oil Refining Capacity in 2010 – IEA

Reuters, 11:22 September 12, 2006

Brazil to Make 2.1 Billion Gallons of Ethanol Available for Export in 2010 – Energy Minister

Reuters, 13:28 September 11, 2006

Venezuela Seeks Control of Exxon, ConocoPhillips Joint Ventures

Bloomberg News, 13:04 September 12, 2006

Militants Kill Nigerian Oil Worker at Chevron Oil Field

Reuters, 12:03 September 12, 2006

Links

This Week in Petroleum from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Natural Gas Weekly Update from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

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